DRAFT 6/22/78

LEASE AGREEMENT

LEASE AGREEMENT, dated as of July , 1978, by and between WASATCH COUNTY, a political subdivision of the State of Utah (the "Lessor") and INTERMOUNTAIN HEALTH CARE, INC., a Utah non-profit corporation (the "Lessee").

W I T N E S S E T H:

WHEREAS, Lessor owns and operates Wasatch County Hospital, a hospital facility located in Heber, Utah, having 25 acute care and 15 extended care beds serving the health care needs of Wasatch County residents and others (the "Hospital"), which is situated on the real property described in Exhibit A attached hereto;

WHEREAS, Lessee operates a system of 20 hospitals in Utah, Idaho and Wyoming, has long experience in the operation and management of hospitals, has substantial assets and financial capacity, employs qualified and experienced management and administrative personnel, and can provide the Hospital with certain low-cost central services; and

WHEREAS, Lessor desires that Lessee operate and lease the Hospital, the real property on which it is situated, and all of the medical and other equipment, furnishings, fixtures, supplies, inventory, receivables, funds and other tangible and intangible personal property located in or on order for the Hospital (collectively, the "Property") for an initial term of 20 years, and Lessee is willing to lease the Property, operate the Hospital and assume the financial risk for its operation, pursuant to the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the covenants and agreements herein contained, the parties hereto agree as follows:

1. Application to State Planning Agency. Promptly following execution of this Agreement, Lessee will apply to the State Office of Health Planning and Resource Development or its successor organization (the "Planning Agency") for approval to lease the Property. Lessee anticipates that Planning Agency approval will be forthcoming within 90 days after submission of such application. Lessor agrees to assist Lessee in vigorously pursuing such application before any local planning groups and public hearings which may be convened to consider or comment thereon.

2. Lease of Property. Lessor hereby leases and demises the Property to Lessee, together with all improvements or additions made thereon or therein, for the purpose of Lessee's operating the Hospital and engaging in all functions and activities related thereto, provided that this Lease shall not take effect until the date of Planning Agency approval hereof. Lessor shall also assign Lessee, pursuant to the form of Assignment attached as Exhibit B hereto, Lessor's rights under a 50-year lease of water from a Heber City well used for Hospital purposes, which Assignment shall terminate upon termination of this Lease.

Lessee shall, during the term of this Lease, furnish such of its central services to the Hospital as it shall determine are necessary or desirable for the Hospital's efficient operation, and shall have sole and exclusive use and control of the Property and of all proceeds from the operation of the Hospital.

20yr

3. Term of Lease and Rental. The term of this Lease shall commence on the date of Planning Agency approval hereof and shall continue in full force and effect for an initial period of 20 years. At the option of Lessee, this Lease may be renewed on the terms and conditions hereof for three additional 20-year terms upon written notice to Lessor not less than one year prior to the expiration of any such term.

Lessee shall pay to Lessor as rental for the Property the sum of $1.00 per year payable annually or, at Lessee's option, payable for the entire initial 20-year term in advance thereof upon the commencement of this Lease.

4. Operation of Hospital. During the term of this Lease, Lessee shall have sole responsibility for the operation and management of the Hospital, and shall have the right to expend in connection therewith any operating, plant or special purpose funds and other reserves, deposits and securities of the Hospital existing on the date hereof (including accounts receivable) or which may accumulate hereafter.

Lessee will bill for, collect and deposit in a bank account or accounts all revenues from the operation of the Hospital (including accounts receivable on the date hereof) and shall pay therefrom all operating costs and expenses of the Hospital pursuant to the standard operating policies of Lessee. Such revenues will be applied to all of the Hospital's accounts payable or which may become payable in connection with Lessee's operation of the Hospital, including but not limited to trade accounts payable and payments and other obligations under contracts between the Hospital and physi-

cians on its medical staff, provided that such revenues will not be applied to discharge any of the Hospital's operational deficits incurred by Lessor in connection with its operation of the Hospital prior to the commencement date of this Lease.

Lessee shall be at full financial risk in its operation of the Hospital and shall subsidize annually any operating deficits thereof in the event that operating expenses of the Hospital in any year during the term of this Lease exceed gross operating revenues thereof for such year. Conversely, Lessee shall be entitled to any excess of the Hospital's gross operating revenues over its operating expenses during the term hereof.

5. Capital Improvements and Contributions. Lessor shall be solely responsible for financing capital improvements or additions to the Hospital and the fixtures and equipment therein. On or about January 1 of each year during the term of this Lease, Lessor shall contribute the sum of $40,000 to the Hospital's plant depreciation fund to accumulate a reserve for the funding of such capital requirements, provided that the amount of such annual contribution by Lessor shall be reviewed by the parties hereto in light of changing economic conditions within 30 days of each January 1 during the term of this Lease, commencing in 1980.

Lessee shall also contribute a portion of Hospital operating revenues to such plant fund in accordance with Lessee's standard operating procedure and will use such plant fund, to the extent available, for the necessary repairs, replacements and additions to the Hospital and fixtures and medical and other equipment therein, and for rental payments under leases of Hospital equipment, provided that any such necessary repairs, replacements, additions or rental payments shall be at the expense

of Lessor if amounts in such plant fund are insufficient to cover capital costs. Lessee shall provide Lessor with ample advance notice of any such insufficiency to enable Lessor to include necessary supplemental amounts within its periodic budgets. Lessee shall be responsible for replacing all Hospital furnishings, supplies and inventory from the operating fund of the Hospital or from any amounts contributed by Lessee thereto to subsidize deficits therein.

It is understood and agreed by the parties hereto that in the event this Lease is still in full force and effect when the Hospital or such fixtures and equipment comes to the end of its anticipated trouble-free life and requires replacement, or when new or expanded Hospital facilities are required or desired by Lessor, such replacement and/or additions shall be at the expense of Lessor to the extent that the cost thereof exceeds the amount then accumulated in the Hospital's plant fund.

All amounts contributed by Lessor or accumulated by Lessee in the Hospital's plant fund and any interest which may accumulate thereon shall be used exclusively for Hospital purposes and shall not be diverted for use at any other hospital or health care facilities in Lessee's system. All necessary or desirable Hospital capital improvements shall be properly authorized by the Hospital's Governing Board, and any such capital improvement which is estimated to cost $100,000 or more shall be approved in advance by the Wasatch County Commission. During the term of this Lease, Lessee shall have no obligation to expend funds for capital improvements, additions, replacements or remodeling of the Hospital or for fixtures and equipment therein beyond the amount then available in the Hospital's plant fund.

6. County Financing. During the term of this Lease, Lessee will at Lessor's request advise and make appropriate consultative resources available to Lessor with respect to the establishment of a County service area or other County district for the financing of future Hospital capital improvements.

7. Bonded Debt. Upon commencement of this Lease term, Lessee will assume or reimburse Lessor's continued payment of its general obligation bonds issued for Hospital improvement purposes, which Lessor represents have an aggregate unpaid balance amounting to approximately $275,500 as of the date hereof, with interest thereon at 3.58% through 1984 and 3.70% through 1986, and semi-annual payments of $4,046.37 due in May and $24,064.73 due in November of each year through 1986.

8. Repairs, Maintenance and Alterations. All necessary structural repairs to the Hospital and to all fixtures located therein, including, but not limited to, repairs to roofs, exterior and interior walls, floor joists and foundations, shall be paid from the Hospital plant fund to the extent of amounts available therein, and thereafter shall be paid by Lessor. All necessary non-structural repairs to the Hospital and its fixtures and repairs to furnishings and to medical and other moveable equipment therein shall be paid by Lessee from the Hospital operating fund or otherwise by Lessee at its expense. All expenditures for repairs shall be properly authorized by the Hospital Governing Board.

Lessee shall be responsible for providing heat and utilities necessary for the operation of the Hospital and will pay, when due, all charges for water, electricity, power, gas and lights. Lessee shall also be responsible for maintaining the Hospital and surrounding grounds in a good state of repair, and cleaning and painting the exterior and interior as may be neces-

sary to keep it in a clean, attractive and sanitary condition.

Lessee shall have the right to make any alterations or modifications to the Property as are in Lessee's judgment reasonable and necessary or beneficial for its operation of the Hospital, which alterations or modifications shall be payable from appropriate Hospital funds.

Lessor, its agents and employees shall have the right, at all reasonable times, to enter upon the Property for the purpose of examining the condition thereof or to perform any repairs thereon, provided that any such work shall be coordinated with Lessee to ensure minimal interruption of Hospital operations. Lessee shall surrender the Property upon expiration of the term of this Lease in as good condition as reasonable and proper use thereof will permit.

9. Hospital Governing Board. Lessee's Board of Trustees will appoint a Governing Board of from nine to 13 members for the Hospital from a list of 20 nominations to be received from an initial nominating committee of the Hospital. Such nominating committee will be composed of the Chairman of the Wasatch County Commission, the Chairman of the Hospital Governing Board immediately prior to the date hereof, and the Hospital Administrator, and will submit a list of nominees reflecting a broad community base, with consideration given to appropriate representation of persons of business or professional experience, ethnic background, religious affiliation and sex. Such nominees shall include, and Lessee's Board of Trustees shall appoint as Governing Board members, one member of the Wasatch County Commission, at least one physician, and the Administrator of the Hospital (who shall serve as Secretary of the Governing Board). The Governing

Board will have such authority and responsibilities as are outlined in the By-Laws of Lessee, copies of which have been furnished to such Governing Board and the County. The Hospital's By-Laws and the rules and regulations of its Medical Staff shall be developed by its Governing Board and shall be subject to approval by Lessee's Board of Trustees.

10. Hospital Administrator. The President of Lessee shall have the responsibility and authority to appoint, transfer or discharge the Administrator of the Hospital, with such appointment subject to the approval of the Hospital Governing Board. The Administrator shall be an employee of Lessee and shall have the powers and duties authorized by Lessee's By-Laws and its Board of Trustees.

11. Medical Staff. The Hospital Governing Board shall be responsible for the quality of care provided in the Hospital and, consistent with the By-Laws of the Hospital and of Lessee, may approve and appoint professional members to its Medical and Dental Staff, shall grant privileges to such members consistent with their abilities and may suspend or deny such privileges or remove members as justified.

12. Audit. Lessee shall maintain proper accounts of all financial transactions relating to the operation of the Hospital and shall make available from time to time copies of such accounts for annual auditing by the County.

13. Uncompensated Care. Lessee understands that a substantial amount of federal funds have been committed under the federal Hill-Burton Act to defray the construction cost of the Hospital, and that the Hospital will have certain obligations as a result of such federal funding to

provide uncompensated care for persons unable to pay in full or in part. Lessee hereby represents that it fully understands all federal and state requirements with respect to uncompensated care and hereby agrees that it shall provide that amount of uncompensated care at the Hospital which shall not be less than the minimum amount of such care required by the federal government as a condition of its Hill-Burton grant. Lessor hereby agrees to continue during the term of this Lease its contribution in the amount of 1/4 mill of property valuation to the State indigent care fund to which other counties contribute, to enable IHC to seek reimbursement from such fund of the cost of indigent care which it renders at the Hospital.

14. Ambulance. During the term of this Lease, Lessor shall continue to provide funding for all necessary capital requirements of the ambulance service which now serves the Hospital or of such substitute service as is satisfactory to Lessee, and Lessee will pay operating expenses thereof from Hospital operating revenues.

15. Insurance. During the term of this Lease, the Hospital shall be included in Lessee's risk management program, with the cost of such Hospital insurance to be payable from the Hospital's operating fund. Such coverage shall include protection against damage by fire, lightning, extended coverage perils, malpractice and general liability (including damage or injury to persons or property resulting from the operation of the Hospital and proximately caused by the negligence of Lessee, the Hospital Governing Board, or the agents or employees of the Hospital), and such other coverage as Lessee may deem necessary or desirable. Property damage coverage shall insure not less than 90% of replacement value. Any insurance proceeds received by

Lessee to compensate for loss or damage to the Hospital shall be used by Lessee for the purpose of repairing or restoring the Hospital, provided that in the event of substantial or total destruction, Lessor shall have the option whether to rebuild or to use the proceeds for some other purpose, and if Lessor elects not to rebuild this Lease shall terminate.

Lessor shall be responsible for any future liability arising from incidents occurring prior to the effective date of this Lease and for the prosecution or defense of any legal actions resulting therefrom.

16. Licensing and Laws. Lessee shall be responsible for obtaining and maintaining proper licensing of the Hospital, and will operate and manage the Hospital during the term of this Lease in accordance with all applicable local, state and federal laws, ordinances and regulations.

17. Termination. This Lease may be terminated (a) by either party hereto during any term hereof upon not less than one year's prior written notice to the other party, (b) by either party upon default by the other party in the performance of any covenant or condition hereof if such default is not cured within 30 days after the defaulting party receives written notice thereof, (c) by either party at any time during the term hereof with the prior written consent of the other party, or (d) by Lessee upon 60 days' prior written notice to Lessor in the event that any governmental action, statute, ordinance, rule or regulation, or any judicial decision, requires the performance in the Hospital of any procedure, operation, or course of treatment which is in the sole judgment of Lessee repugnant to its principles or moral convictions.

18. Funds and Accounts on Termination. Upon termination of this Lease by either party hereto, (a) all amounts in the Hospital plant fund on the date hereof and amounts hereafter contributed to such fund by Lessor, together with interest thereon, shall be the property of Lessor, and all remaining amounts and interest thereon shall be the property of Lessee, (b) all amounts in the Hospital's operating fund credited to and not expended from such fund during the calendar year in which termination occurs (including accounts receivable on the termination date), together with any interest thereon, shall be the property of Lessor, and all amounts therein and interest thereon credited thereto and not expended therefrom prior to such calendar year shall be the property of Lessee, and (c) all charitable contributed to the Hospital's specific purpose fund shall be distributed in accordance with the donor's directions.

In the event of any such termination, all equipment located in the Hospital and owned by Lessor, all equipment and other personal property in the Hospital purchased by Lessee during the term hereof for less than $100, and all inventory and supplies in the Hospital on the date hereof or purchased thereafter by Lessee shall be the property of Lessor and shall not be removed from the Hospital by Lessee. All equipment and other personal property costing more than $100 per item which was purchased by Lessee and placed in the Hospital during the term hereof shall remain the property of Lessee and shall be removed promptly by Lessee, provided that such removal shall be accomplished without damage or injury to the Hospital.

19. Option to Purchase. During the term of this Lease, Lessee shall have, and Lessor hereby grants Lessee for

good and valuable consideration, an option to purchase the Hospital at a purchase price to be agreed upon by the parties hereto, provided that Lessor's obligation to sell the Hospital to Lessee upon Lessee's exercise of such option shall be subject to the public auction requirements of Title 17, Chapter 5, Section 48 of the Utah Code Annotated (1953), as amended, and in the event that Lessee is not the highest responsible bidder for the Hospital, the obligation of Lessee to purchase and Lessor to sell the Hospital pursuant to this Section 19 shall be null and void. In the event of purchase of the Hospital by Lessee, such purchase shall be evidenced by a purchase agreement and such further instruments as may be agreed upon by the parties hereto.

20. Notices. The address of each party for all notices required or permitted hereunder and for all other legal purpose whatsoever shall be:

Lessor: Wasatch County Commission
Wasatch County Courthouse
Heber, Utah 84032

Lessee: Intermountain Health Care, Inc.
36 South State Street
Salt Lake City, Utah 84111

21. Miscellaneous. This Lease shall not be assignable by Lessee to any other party without the prior written consent of Lessor. This Lease constitutes the entire agreement between the parties hereto relating to the transactions contemplated hereby, and shall be binding upon and inure to the benefit of and be enforceable by the respective successors of the parties hereto. This Lease may be amended in writing at any time by the parties hereto, and shall be governed by and construed in accordance with the laws of the State of Utah.

IN WITNESS WHEREOF, the parties hereto have duly executed this Lease on the day and year first above written.

LESSOR:

WASATCH COUNTY

ATTEST:

By _____
Chairman, Board of County Commissioners

_____

LESSEE:

INTERMOUNTAIN HEALTH CARE, INC.

ATTEST:

By _____
Scott S. Parker, President

_____

STATE OF UTAH)
: ss.
COUNTY OF _____)

On this _____ day of _____, 19 ___, personally appeared before me _____ and _____, who, being by me duly sworn, did say that they are the Chairman of the Board of County Commissioners and the _____, respectively, of WASATCH COUNTY, a political subdivision of the State of Utah, and that the foregoing instrument was signed on behalf of said County by authority of a resolution of its Board of County Commissioners and said _____ and _____ acknowledged to me that said County executed the same.

_____
Notary Public
Residing at:

My Commission Expires:

_____

/

STATE OF UTAH)
: ss.
COUNTY OF SALT LAKE)

On this _____ day of _____, 19 ____, personally appeared before me Scott S. Parker and _____, who, being by me duly sworn, did say that they are the President and _____, respectively, of INTERMOUNTAIN HEALTH CARE, INC., a Utah non-profit corporation, and that the foregoing instrument was signed on behalf of said corporation by authority of its By-laws or a resolution of its Board of Trustees, and said Scott S. Parker and _____ acknowledged to me that said corporation executed the same.

_____
Notary Public
Residing at:

My Commission Expires:

_____

Exhibit A

PROPERTY DESCRIPTION

Wasatch County

Beg. 17.40 rds. E NW cor NE 1/4 Sec 5 Tp 4 S R 5E SLM; th E 15.92 rds.: th S 48'W 29 rds; th N 89°12'W 31 rds; th N 48'E 17.31 rds.; th E 15.08 rds.; th N 11.67 rds. to beg. Area 4.45 ac.

Exhibit B

ASSIGNMENT

ASSIGNMENT executed this _____ day of July, 1978, by WASATCH COUNTY, a political subdivision of the State of Utah (the "Assignor"), and INTERMOUNTAIN HEALTH CARE, INC., a Utah non-profit corporation (the "Assignee"), as follows:

WHEREAS, Assignor and Assignee have entered into a Lease Agreement (the "Hospital Lease"), dated the date hereof, whereunder Assignee will lease from Assignor and operate Wasatch County Hospital, an acute care hospital located in Heber City, Utah, upon approval of the Hospital Lease by the State Office of Health Planning and Resource Development or its successor organization;

WHEREAS, Assignor has leased water from a Heber City well for a 50-year period to serve such Hospital pursuant to the lease agreement attached hereto (the "Water Lease"); and

WHEREAS, Assignor wishes to transfer to Assignee all of Assignor's right, title and interest in and to said Water Lease;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, the parties hereto agree as follows:

1. Assignor hereby assigns, transfers and sets over to Assignee all of Assignor's right, title and interest in and to the Water Lease including, without limitation, the right to make all waivers and agreements, to give all notices, consents and releases, and to do any and all other things which Assignor is or may become entitled to do with respect to the Water Lease, provided that this Assignment shall terminate upon termination of the Hospital Lease.